

CITY OF NEWARK

MEMORANDUM

May 9, 1978

TO: City Council

FROM: Richard W. Turnlund, City Manager

SUBJECT: 1978-79 Budget Supplement No. 1

Local property Tax -- CA
Municipal budgets -- Newark
Newark - Approp. & expend.

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Jarvis-Gann Initiative Budget Reductions

Passage of the Jarvis-Gann Initiative on June 6, 1978 will trigger a major revenue loss to the City in 1978-79. The City Council should prepare to implement the necessary program cuts by July 1, 1978, unless litigation delays implementation. I recommend that the City prepare to make the full cut with contingency plans for modifying the cut as events unfold after June 6.

One of the ambiguities in the Jarvis Initiative is the exact cut in property tax revenue to each jurisdiction. Does the Initiative affect the County Unsecured and State Board tax rolls as well as the County Secured tax roll? How will the property tax from all rolls be apportioned among the agencies presently levying taxes? My projected impact of the Jarvis Initiative's reduction of property tax revenue is based on the assumptions that the Initiative will only affect the County Secured Roll and that the City will be allocated 12% of taxes raised from that roll.

The affect of the reduction in property taxes on other revenue sources is also based on assumptions. The Federal Revenue Sharing formula is predicated on local tax effort. The 1978-79 allocation of Revenue Sharing is based on City tax effort in the 1976-77 fiscal year (2 years lag); thus, this revenue source will not be cut until 1979-80 (slightly) with the full impact coming in 1980-81. Alameda County is contemplating a closing of branch libraries which may eliminate rental income on the library wing.

Changes enacted in adjoining cities due to Jarvis Initiative reduction will affect Newark operations. Fremont may have to curtail its jail operation which could force transport of prisoners to Santa Rita. Mutual aid assistance from adjoining fire and police departments may be curtailed due to reductions in manpower. This will substantially affect our public safety potential.

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Based on the above assumptions, the City will experience a \$1,726,000 reduction in General Fund property tax revenues. The actual cut could run to \$2,300,000 if all property tax were lost. The following will outline my recommendations for achieving the \$1,726,000 cut.

Computation of Reduction in Revenue

1978-79 Anticipated Revenue from County
Secured Roll and Homeowner's
Relief and Business Inventory

Secured Tax	1,979,000	
Homeowners Relief	204,000	
75% Business Inventory Relief	<u>112,000</u>	
		\$2,295,000

1978-79 Jarvis Initiative Anticipated
Revenue from County Secured
Roll and Homeowner's Relief
and Business Inventory

General Obligation Bonds	141,000	
Secured Tax *	<u>428,000</u>	
		- 569,000

Anticipated Revenue Loss 1978-79 \$1,726,000

* Based on Jarvis Formula 1978-79 Assessed Value.

Proposed Financing of 1978-79 Budget

Revenue Increase \$ 430,000

Less:

Program Cost Increase (Before Salary Adjustment)	220,200	
Salary Adjustment	<u>200,400</u>	
Net Program Cost	420,600	- 420,600

Net Revenue Over Program Cost \$ 53,400

General Fund Estimated Reserve 949,600

Net Revenue 1978-79 53,400

General Fund Estimated Reserve 6/30/79 \$1,003,000

Proposed Reduction in Program

Anticipated Revenue Loss \$1,726,000

Budgeted Revenue Surplus - 53,400

Revenue Increases Resulting from
Increased Service Charges Tentatively
Approved by Council 4/13/78

Building Permits	\$25,000
Animal Licenses	10,000
Street & Curb Permits	4,000
Zoning Fees	11,000
E.I.R. Preparation	10,000
Maps & Publications	4,000
Engineering Fees	10,000
Recreation Fees	11,000
Plan Checking Fees	<u>10,000</u>

95,000

- 95,000

Subtotal - Remaining Deficit 1,577,600

1 Eliminate Advertisement Costs for
Vacant Positions 1,000

2 Reduce Dues Payment to League
of California Cities, Mayors
Conference and A.B.A.G. 3,000

3 Eliminate all Conferences,
Out-of-Bay Area Travel and
In-service Training 14,500

4 Eliminate Contributions to All
Agencies except League of California
Cities and Alameda Solid Waste
Management Authority 15,000

5 Eliminate Interest Cost for Tax
Anticipation Financing 10,800

6 Eliminate General Fund Contribution
to Human Services Division 39,700

7 Eliminate Building Inspection
Senior Clerk 12,600

8 Eliminate Secretary in Fire Department 16,300

9 Eliminate 2 Public Safety Clerks
in Police Department 31,000

10 Eliminate Planning & Research Director in Police Department	26,200	
11 Eliminate Maintenance I in Public Buildings Division	16,600	
Reduce Animal Control Division to Costs Covered by Fees	7,000	
Eliminate General Fund Contribution to Housing and Community Development Grant Program	16,300	
Reduce 1978-79 Contribution to Workers' Compensation Fund Reserve	75,000	
Reduce All Overtime and Part-time Personnel (Recreation Not Included)	136,000	
Reduce Street Lighting and Eliminate Park Lighting	97,000	
Reduce General Fund Allocation for Vehicle Replacement	20,000	
Reduce Recreation Services to Costs Covered by Fees	207,300	
Eliminate Building Inspector	21,600	
Eliminate Assistant Accountant Position in Finance & Services	18,400	
Reduce Landscape Parks Maintenance	117,400	
Eliminate General Fund Contribution to Tree Fund	10,000	
Reduce Street Maintenance	143,000	
Transfer Gas Tax Allocation from Construction to Street Maintenance	<u>60,000</u>	
Subtotal of Cut Prior to Public Safety Sworn Personnel	1,115,700	<u>- 1,115,700</u>
Subtotal - Remaining Deficit		461,900
Deficit Financing from General Fund Reserve		<u>- 250,000</u>
Subtotal - Remaining Deficit		211,900



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Eliminate Holiday-In-Lieu Pay in Police and Fire Departments	57,600	
Close Fire Station #3, Demote Three Fire Captains and Eliminate Three Firefighters	81,300	
Eliminate Three Police Officers	65,100	
	<u>204,000</u>	- 204,000
Remaining Deficit		<u>\$ 7,900</u>

Discussion of Proposed Cuts

Each of the above recommendations deserves a lengthy explanation which is not possible in this document. I will present my criteria for reductions and a short statement in amplification of each reduction. Further explanation will be provided, as needed, in budget work sessions.

Criteria for Recommended Reductions to Meet Revenue Reduction from Jarvis Amendment.

Criteria for Cuts. The criteria for the recommended cuts were as follows:

1. Preservation of basic public safety services.
2. Maintenance of support services needed for operation of the government.
3. Maintenance of streets, street lighting and traffic control devices at a level where public safety is not endangered and City tort liability is provided at least minimum protection.
4. Maintenance of parks at a minimum level to reduce the loss the City will experience in landscape investment.
5. Maintenance of a General Fund Reserve which will provide needed working capital and minimize reductions necessary in 1979-80.
6. Maintenance of Recreation and Human Services to the extent they can be made self-sufficient from fees or grants.

Advertisement for Personnel Replacement. This is a gamble that we will not lose people from positions for which there is not a reemployment list from lay-off.

Dues Payments to League of California Cities, Mayors Conference, and A.B.A.G. I recommend that first priority be given the League of California Cities. This organization is critical to State legislation to correct the revenue problems created by the Jarvis Amendment. Total shut-down of A.B.A.G. will create problems in federal grant review. The Mayors Conference handles all appointments to regional and county agencies as well as protecting the cities from arbitrary county action; thus, should be maintained on some scale.

Conferences, Travel and In-Service Training. The City has always restricted conferences, travel and training to those functions which have a direct return to this organization. Foregoing these expenses realizes a short-term gain, but, if prolonged, will have a detrimental effect on the level of organizational effectiveness. This reduction may have to be modified to permit retrieval of prisoners or critical trips in connection with the regional center development.

Contributions to Outside Agencies. With the exception of the City's two contractual obligations, the League of California Cities Building Program and the Alameda County Solid Waste Management Board, all outside agency contributions are recommended for termination. It may be possible to renegotiate both these contracts, total \$5,020, to reduced payment schedules. The greatest loss here is the Chamber of Commerce which will probably lose County financing as well. This may eliminate economic development efforts currently undertaken by the Chamber.

Tax Anticipation Financing. Since the Council will lose its ability to levy a property tax on the County Secured Roll, it will lose any collateral for short term financing of operations. The City's cash flow makes financing of operations during the periods June through August, November-December, and February-March difficult. Tax anticipation borrowing permits operation with a much lower working capital (reserve) position. The City will have no means of obtaining short term financing unless the Legislature authorizes it.

Human Services Division. I believe it will be possible to interface the C.E.T.A. financing and H.C.D. financing. This means the present Human Services Division must reduce its present workload by 50%. Those portions of the operation transferred to H.C.D. must work only on housing rehabilitation.

Building Inspection. The two positions, Senior Clerk and Building Inspector, are vacant. The jobs will be covered by transferring an Assistant Civil Engineer from the Engineering Division to cover building inspection part-time and utilizing the Recreation Secretary one-half time in Building Inspection. This will reduce availability of counter assistance. A sign will be placed at the counter and the counter will be physically shuttered off except for the two hours each day the building inspectors are present.

Fire. The Fire Department will lose its Secretary, have overtime reduced to Acting Captain pay and recall of personnel in only major emergencies, trade holiday-in-lieu pay for 5.6 shifts of holiday time, experience demotion of three captains and lose three firefighter positions. Loss of the Secretary will result in records for other than building fires and inspections (liability exposure) being set aside. The two chief officers effectiveness will be reduced. Clerical help will be afforded by other departments to the extent possible. Fire prevention work will be sharply reduced. Fire Prevention will be carried out almost exclusively by the Battalion Chief. This may increase the incidence of fires. Fire suppression will be reduced to six to seven shift personnel manning two

stations plus the chief officers. This was the capacity of the department in 1967 when the City only marginally retained its present fire rating. I would anticipate the City would drop from a 5 to a 7 rating for unsprinklered property. In 1976 the City of Newark "Public Safety Operations Study" estimated that this drop in rating would increase annual residential fire premiums by \$86,800, commercial by \$33,300, industrial by \$19,100, and schools by \$13,200, or a total of \$152,400.

Police. The Police Department will lose C.E.T.A. Clerical Aides, its Planning and Research Director, two of its part-time Police Cadets, all of its Crossing Guards, and three officers. Two public safety clerks will be laid off. One may be rehired from the two C.E.T.A. clerk typist positions. The loss of three of the current seven administrative personnel will sharply curtail the Department's ability to handle grants, the crime prevention program, and records maintenance. Loss of school crossing guards will necessitate transfer of one police officer to full time coordination of school patrols during the school year. The officer is more expensive than the crossing guards but affords the flexibility of use in other assignments and permits retention of trained personnel. We are not certain what impact this will have in the O.T.S. grant for Project Radar. It is assumed the grant will not be terminated given the conditions involved. If the grant is terminated, we will lose an additional police officer.

Animal Control. It is anticipated that this reduction will be made in Animal Shelter operations. The cut will effect citizens ability to retrieve animals at convenient times.

HCD Programs. The Council has underwritten much of the administrative and engineering cost in the H.C.D. grant programs to enable funds to be used for projects. It is proposed that maximum allocation of staff time to these projects be made and that engineering prsonnel handle all design and contracting in-house on the replacement of Fire Station 1.

Workers' Compensation. The elimination of the \$75,000 contribution to the Workers' Compensation Fund will leave about a \$100,000 contingency reserve available in this Fund. This is substantially below the \$250,000 recommended by our consultant but should see the City through next year. This reserve will have to be reappraised in 1979 before the 1979-80 Budget.

Overtime and Part-time. The reduction in overtime and part-time leaves only \$3,700 in the Fire Department Overtime and \$4,900 in the Police Department Overtime. Part-time employees are limited to Police with \$14,600 allocated for two cadets (\$11,700), matrons (\$1,050), and reserve officers (\$1,850). The magnitude of reductions in overtime and part-time are shown on the table below:

Reduction in Overtime and Part-time Employees

<u>Department</u>	<u>Overtime</u>		<u>Part-time</u>	
	<u>78-79</u> <u>Budget</u>	<u>Net After</u> <u>Jarvis Cut</u>	<u>78-79</u> <u>Budget</u>	<u>Net After</u> <u>Jarvis Cut</u>
Administrative Services	\$ 360	-	6,300	-
Police	54,700	4,900	42,000	14,600
Fire	25,400	3,700	-	-
Development Services	630	-	4,140	-
Community Services	* 4,290	-	21,200	17,000
Total	\$85,380	8,600	73,640	31,600

* Does not include Recreation

The reduction in Administrative Services eliminates all assistance in closing out the fiscal year records, fill-in for extended absences, and supplementary staff during heavy animal and business license periods. Development Services loses part-time drafting assistance which will reduce the number of contracts brought to bid. Community Services loses all summer additional help which knocks out most street resurfacing and large project park maintenance work.

Street Lighting. Street lighting and traffic signal maintenance will be reduced to safety lighting at each intersection and maintenance of present signals.

Vehicle Replacement. The current method of amortizing replacement cost over the life of the vehicle will be reduced. Replacement costs difference will be made up from the increased Capital Improvement Tax.

Recreation. It is recommended that the Community Center and all park rest rooms be closed. Ash Street Center may be operable on a cost covering basis for very limited periods of the week. All park lighting will be eliminated. Permanent staff (5) will be used to the extent possible on a part-time basis to operate cost covering programs. All playground and most class activities will be dropped. Classes will be scheduled if cost covering in school, rented facilities or one of the Ash Street buildings.

Landscape-Park Maintenance. The Landscape-Park Maintenance staff will be cut from nine permanent (including Supervisor) and seven C.E.T.A., total 16, to six (including Supervisor). This provides only enough personnel to water and cut grass, do minimal fertilization and cleanup, and minor street tree maintenance.

Street Maintenance. Street Maintenance will be cut from 11 permanent (including Supervisor) and one C.E.T.A., total 12, to six. This will permit potholing, paint striping of streets, minor shoulder maintenance on unpaved streets, and storm basin cleanout. All streetsweeping and street resurfacing will be stopped.

Transfer of Tree Fund and Gas Tax Money. These transfers will offset labor costs formally borne by the General Fund. Loss of this money from construction projects will delay construction.

Deficit Financing from General Fund Reserve. With the hope that the Legislature will grant some financial relief by early 1979, I am proposing that \$250,000 from the General Fund Reserve be used in financing the 1978-79 Budget to offset a portion of the Jarvis Initiative budget reduction. This will necessitate a minimum of \$250,000 reduction in the 1979-80 Budget and will cause cash flow problems which will probably result in a missed payroll in the 1979-80 fiscal year.

Comprehensive Employment and Training Act Personnel. C.E.T.A. regulations require that all C.E.T.A. personnel be laid-off before permanent personnel in the same job classification - or work unit. This will necessitate laying off 11 of the City's current 15 C.E.T.A. positions. Layoffs would occur in two clerical positions in the Police Department and 9 Maintenance positions.

Current interpretations of C.E.T.A. regulations would indicate that the City could replace 50% of the C.E.T.A. positions by rehires of permanent personnel laid off after 15 days of layoff. This would permit rehire of one Clerk Typist to replace two Police Public Safety Clerks at a maximum salary of \$833.00/month and four laborers to replace maintenance positions at \$833.00/month.

All 13 C.E.T.A. III positions (Youth Employment) could be filled but may not be implementable due to reduction in permanent personnel.

Overall Reduction in Staff. The proposed reduction in personnel and elimination of part-time positions would affect City staffing as follows:

		<u>78/79 Before Cut</u>	<u>78/79 After Cut</u>
Management, Administrative and Social Services			
	Full Time	15	14*
	Part-time	\$ 6,300	-
Community Services (Street, Maintenance, Landscape Parks Maintenance, Recreation, Equipment Maintenance and Building Maintenance)			
	Full Time	42	23**
	Part-time	\$110,500	\$17,000***
Development Services			
	Full Time	15	13
	Part-time	\$ 4,140	-

Police Services

Full Time	48	41****
Part-time	\$ 42,000	\$14,600

Fire Services

Full Time	30	26
Part-time	—	—

- * 3 transferred from general revenue financing to C.E.T.A. & H.C.D.
- ** Net after 4 permanent returned under C.E.T.A. VI
- *** Landscape Architect funded from capital improvements and gas tax.
- **** Net after 1 permanent returned under C.E.T.A. VI

Total Reduction

Permanent Full Time	27
C.E.T.A. VI Sustaining Full Time	6
Part-time - \$131,500 - 68 positions	

This means that the City staff will be cut from 150 (135 permanent and 15 C.E.T.A. VI Sustaining) to 117 positions. In addition, 68 parttime positions will be lost.

Further Cuts. If the reduction in revenues due to the Jarvis Initiative is greater than herein anticipated, further major cuts will probably have to be made in the public safety services. If the City is forced to further reduce public safety, police and fire officers will have to be reduced so as to maintain workable service units.

An illustration of a workable service unit is Fire Station #3. Currently the City has three fire stations with nine officers assigned to each shift. Vacations and sick leave effectively reduce this to eight available for duty two-thirds of the time. This provides staffing of three firefighters at Stations 1 and 2 and two firefighters at Station #3. Station #3 has experienced a substantially lighter initial response call; thus, carries the smaller unit. A two-person company cannot effectively enter a building which has a major fire in progress; thus, is a much less self-sufficient response team. Any further cuts in strength will result in a second two-person company since I am eliminating all overtime for covering absences. The Fire Chief and I strongly recommend that to keep response time of effective firefighting units to a five to seven minute level the remaining personnel be consolidated into Stations 1 and 2. This will provide an assigned strength of eight per shift with an effective duty strength varying between six and seven. Duty strength will be a lesser percentage of assigned strength because I am recommending dropping both overtime and holiday-in-lieu pay which means each officer will be working at least eight to nine fire shifts less per year (the equivalent to loss of two firefighter positions).

If Station #3 is maintained and staffing is spread between the three stations, an additional firefighter or police officer will have to be laid off. The closing of Station #3 assumes a \$12,000 saving from demotion of three fire captains, a \$7,000 saving in equipment maintenance since one fire truck can be taken out of service, and a \$2,700 savings in station maintenance and supplies.

If a third firefighter is laid off together with the elimination of overtime for covering absence and holiday-in-lieu pay, the Department will experience a staff loss equivalent to six positions. This would leave seven assigned per shift with an effective five or six available for duty. One station would have to be closed periodically and all would have two-person companies on duty more than two-thirds of the time. This would necessitate a longer response to a building fire of major proportion - probably 10 minutes.

In either case, the Newark Boulevard Overhead will obviously play a critical role. It will assure a crossing at all times of the most congested railroad track.

Summary

The City Council faces the hardest job any Council has faced in the history of Newark. The emotional sweep of the Jarvis Initiative and the low level of public understanding of its ramifications makes it a real possibility. The necessary reduction to accommodate the revenue cut will be equally confusing to the public. Whatever the complaints of proponents of the Jarvis Initiative, the public must become involved in the cuts in public services so that they will understand what is happening after the Initiative is successful. To do otherwise will invite severe backlash in public reaction to cuts.

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